

SUB-SAHARAN AFRICA: Eurobond Political Risk Monitor

Our Eurobond Political Risk Monitor, presented in the attached table, provides a go-to guide of the main political and policy issues in 17 sub-Saharan African (SSA) sovereigns that have issued Eurobonds as of January 2021. In this edition, our 'Spotlights' section assesses the risk of debt distress facing SSA Eurobond debtors as the Covid-19 pandemic enters its second year.

Please click on '[View PDF](#)' below to access the full Monitor.

Spotlights

Sub-Saharan Africa: Risks of debt distress continue to loom large

While Zambia remains the only pandemic-era default case thus far, the IMF considers six countries in debt distress (including Eurobond debtors Congo-Brazzaville and Mozambique) and 11 (including Cameroon, Ethiopia, Ghana, Kenya) at high risk of debt distress. However, hopes for a new round of debt relief seem modest compared to the HIPC initiative of 20 years ago, even though the G20's Debt Service Suspension Initiative (DSSI) covering official debt will likely be extended beyond the first half of 2021. The DSSI remains a short-term suspension and is unlikely to evolve into a broad debt forgiveness scheme.

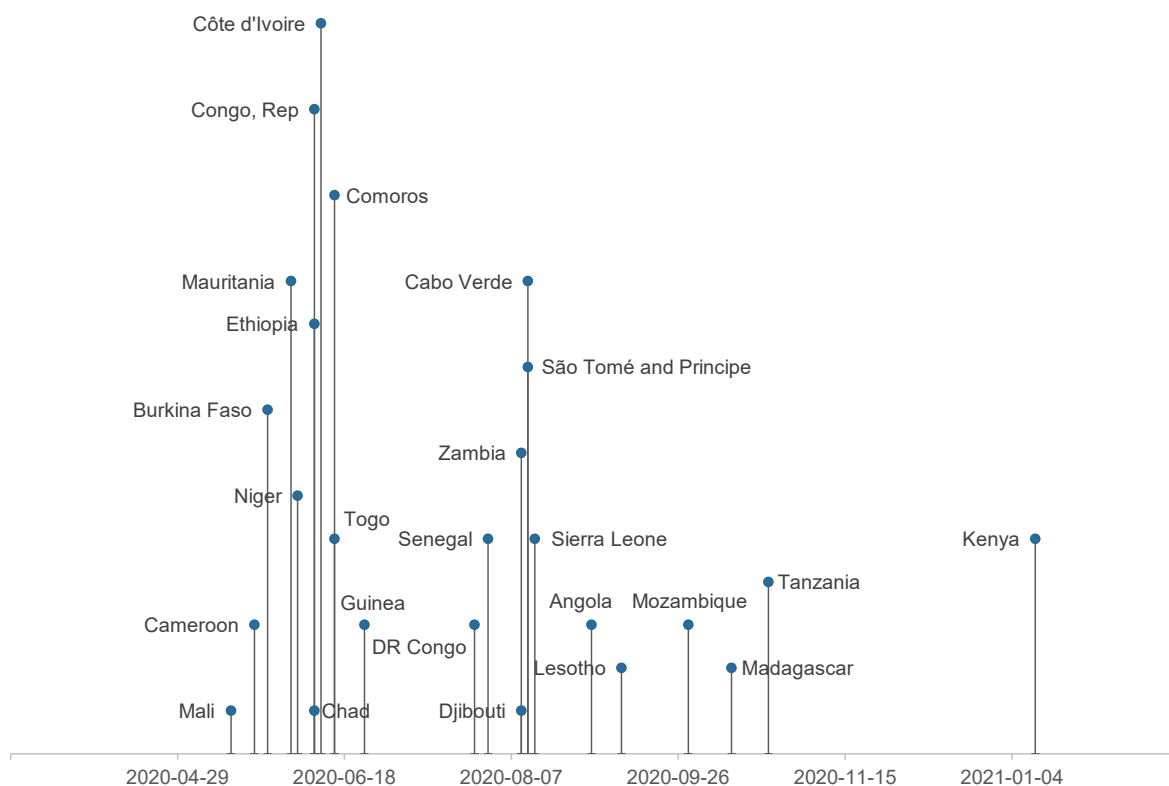
Even less certain is the extent to which Chinese lending institutions will participate and whether the new 'Common Framework for Debt Treatments beyond the DSSI,' which envisages private sector participation, will offer a blueprint for the effective, speedy resolution of debt crises. While the Framework ought to be tested on the region's first defaulter, Zambia, Chad and Ethiopia last week became the first countries to signal their intention to seek restructuring under the G20 framework. Yet the form that any debt treatments will take is still highly uncertain, beyond [basic principles](#) outlined by the G20 (including burden-sharing among all types of creditors).

Another shortcoming is that the DSSI does not cover upper middle-income countries. Yet debt trajectories are at least as troubling (if not worse) in countries like South Africa and Namibia as they are in many low-income countries. In South Africa, the Covid-19 pandemic has dealt a massive blow to a stagnant economy and steadily deteriorating fiscal metrics, which will be on display in Finance Minister Tito Mboweni's February budget. Not only does South Africa need to deliver budget savings (primarily on the public-sector wage bill), but its fragile recovery prospects face a host of downside risks including the pandemic, electricity shortages, reform delays and risks around a slow vaccine roll-out.

Indeed, for the region as a whole, the vaccination outlook will be one crucial driver of the region's economic recovery outlook and debt trajectory. The economic recovery currently forecast by the IMF for 2021 (+3.1% GDP growth on average, with substantial variation) would merely bring the region back to its subdued post-2015 growth trajectory. Still, it remains fraught with downside risks such as further pandemic waves on the continent or elsewhere, as well as slow vaccine procurement and rollouts. In fact, while the region has not borne the brunt of the pandemic thus far, particularly in terms of fatalities (a picture that could change), a key concern is that Africa will be at the back of the queue in the global scramble for vaccine access, giving rise to global 'vaccine apartheid'. To date most countries are heavily reliant on the COVAX initiative. The African Union (AU)'s African Vaccine Acquisition Task Team (AVATT) reportedly has 270mn vaccine doses in the pipeline, but most of these are only expected in H2/2021. Yet with an estimated 1.5bn doses needed to vaccinate about 60% of the 1.3bn population, the Africa Centers for Disease Control and Prevention (Africa CDC) has warned that the virus risks becoming endemic if the vaccination process ends up taking 4 to 5 years. Adding the need for additional

vaccine funding and further economic disruption, already-poor fiscal positions are likely to deteriorate further and drive the rise in domestic and foreign debt accumulation. And with the bulk of SSA Eurobonds maturing around the mid-2020s, many countries in the region seem to be building up to a multi-year debt sustainability crisis.

Timeline: SSA countries granted DSSI, by date



Source: Paris Club

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Pointers

Country	Political risk (over next 12 months)	Recent developments	What we are watching	Signposts
Angola	Medium	<ul style="list-style-type: none"> Jun '20: Angola seeks debt suspension under G20 DSSI Sep '20: IMF third EFF review endorses government economic policy, releases USD 1bn and increases three-year loan by USD 765mn Oct/Nov '20: Youth protests against rising cost of living, unemployment and corruption 	<ul style="list-style-type: none"> Following a triple external shock of colliding health and economic crises, and low oil prices, can Angola dodge a payment crunch and keep reforms on track under its 2018 USD 3.7bn deal with the IMF? What are the prospects for debt relief under the DSSI, particularly from China, Angola's outsized bilateral lender? Amid public discontent, can President Joao Lourenco deliver governance reforms and hold promised municipal elections? 	<ul style="list-style-type: none"> Economic policy measures and IMF updates Debt relief, especially from China First municipal elections (tbd)
Benin	Medium	<ul style="list-style-type: none"> Dec '20: IMF disburses second Covid-19 emergency tranche amounting to USD 178mn Dec '20: Nigeria reopens land borders for trade, following closure in Aug '19 	<ul style="list-style-type: none"> Will the opposition be able to meet the legal criteria to field a candidate in the April 2021 presidential elections? Will there be large-scale violence in the context of the poll? Will President Talon's reform of the armed forces trigger a violent backlash? 	<ul style="list-style-type: none"> Apr '21: Presidential elections
Cameroon	Medium	<ul style="list-style-type: none"> Nov '20: IMF disburses second Covid-19 emergency tranche worth USD 156mn Dec '20: Ruling party of President Paul Biya wins 9/10 newly established regional councils in elections boycotted by main opposition parties 	<ul style="list-style-type: none"> Will the lingering security crisis in the Anglophone regions peter out amid dwindling international interest? Will Maurice Kamto stay relevant as an opposition figure following his failed electoral boycott? Who will succeed President Biya (87) should he die in office, and will there be an orderly transition? 	<ul style="list-style-type: none"> Updates on the implementation of the 'special status' for the Anglophone regions IMF announcements and progress reports
Congo-Brazzaville	Medium	<ul style="list-style-type: none"> Jan '21: President Denis Sassou-Nguesso announces his candidacy for the March presidential election 	<ul style="list-style-type: none"> Is the government committed to the reform program agreed with the IMF in July '19 in exchange for an extended credit facility (ECF)? Will the administration succeed in restructuring its external debt owed to commercial creditors? 	<ul style="list-style-type: none"> IMF progress reports on the ECF Mar '21: Presidential election

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Cote d'Ivoire	Medium	<ul style="list-style-type: none"> Nov '20: President Alassane Ouattara is declared winner of the 31 October election, with 94.3% of votes, amid an official turnout of 53%. Dec '20: Opposition candidate Pascal Affi N'Guessan is released from prison. Jan '21: The main opposition parties announce to abandon their electoral boycott for the March legislative elections. 	<ul style="list-style-type: none"> How will Prime Minister Hamed Bakayoko position himself against the president's secretary-general Patrick Achie in the ensuing battle over Ouattara's succession? How will the battle for supremacy of the Ivorian Popular Front (FPI) between Pascal Affi N'Guessan and Laurent Gbagbo play out? Can Henri Konan Bedie remain in control of his Democratic Party of Cote d'Ivoire (PDCI)? 	<ul style="list-style-type: none"> ICC decision on appeal against Gbagbo's acquittal Mar '21: Legislative elections
Ethiopia	High	<ul style="list-style-type: none"> Nov '20: Tigray war erupts, federal army takes regional capital Mekelle Dec '20: Border tensions with Sudan Jan '21: Government plans debt restructuring under G20 Framework 	<ul style="list-style-type: none"> Will Ethiopia become a test case for the G20 Framework and can Prime Minister Abiy Ahmed continue his ambitious reform agenda backed by a USD 2.9bn IMF program? Amid conflict and humanitarian crisis, can Ahmed restore stability and his international credibility? Can Ethiopia hold credible and peaceful elections? 	<ul style="list-style-type: none"> External support and restructuring proposals 5 Jun '20: Parliamentary and regional council elections Worsening conflict or coup attempts
Gabon	Medium	<ul style="list-style-type: none"> Aug '20: IMF disburses second Covid-19 emergency tranche amounting to USD 152mn 	<ul style="list-style-type: none"> Will Bongo be able to govern until the 2023 election, despite his frail health? What is the potential for someone from the inner circle to stage a coup in the ongoing succession battle? Will the government succeed in auctioning deep- and shallow-water acreage for oil exploration? 	<ul style="list-style-type: none"> TBA: End of oil exploration licensing round launched in Nov '18 2023: Presidential election
Ghana	Medium	<ul style="list-style-type: none"> Oct '20: Parliament approves advance budget for Q1-2021, including permission to issue Eurobonds worth up to USD 5bn Dec '20: President Nana Akufo-Addo secures re-election with 51.3% of votes cast but ruling NPP loses majority in parliament Dec '20: Main opposition candidate John Mahama challenges election results in court 	<ul style="list-style-type: none"> Will the unprecedented period of 'co-habitation' result in costly compromises? Will there be greater parliamentary scrutiny of dubious government projects going forward? How will the administration fare in renegotiating power purchase agreements? 	<ul style="list-style-type: none"> Supreme court ruling on Mahama's challenge of the presidential election results New cabinet Q1: 2021 budget proposal Jul '21: Mid-year budget review

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Kenya	Medium	<ul style="list-style-type: none"> Nov '20: President Uhuru Kenyatta and opposition leader Raila Odinga launch signature collection to endorse constitutional amendments under Building Bridges Initiative (BBI) Jan '21: Government will participate in DSSI, reversing its 2020 stance 	<ul style="list-style-type: none"> What implications will the Building Bridges Initiative (BBI) constitutional referendum have for the Jubilee ruling coalition and politics longer term? How will the BBI referendum – a test run for the 2022 presidential elections – impact the race to succeed Kenyatta? Will the Kenyatta administration manage its growing risk of debt distress amid Covid-19, electioneering and Kenyatta's 'Big Four' legacy agenda? 	<ul style="list-style-type: none"> Mid-2021: BBI referendum State of Jubilee alliance and presidential succession race Planned USD 2.3bn IMF deal and public debt dynamics
Mozambique	High	<ul style="list-style-type: none"> Apr '20: IMF approves a USD 309mn Rapid Credit Facility (RCF), but talks over full program delayed Apr '20: ExxonMobil indefinitely delays FID on Rovuma LNG project Jan '21: Total suspends work on LNG development as insurgency draws closer 	<ul style="list-style-type: none"> How badly will LNG development be delayed by the global pandemic fallout and insurgency? Can the government dig its way out of debt distress without a full IMF program? Will Mozambique have the capacity to service its restructured Eurobond over the medium term? 	<ul style="list-style-type: none"> IMF relations and debt relief beyond DSSI initiative Any developments, delays of LNG projects Strategic developments in northern insurgency and any external support
Namibia	Medium	<ul style="list-style-type: none"> Oct '20: Mid-year budget review expects economy to contract 7.9% in 2020, budget deficit to widen to 12.5% of GDP and public debt to 69.8% of GDP in FY 2020/21 Nov '20: Support for SWAPO drops to 57% in regional elections and 40% in local polls 	<ul style="list-style-type: none"> Can President Hage Geingob deliver reforms given declining electoral support combined with prolonged economic downturn (since 2016)? Can Namibia (not eligible for the DSSI) stabilize its finances and avoid further credit rating downgrades, given the Covid-19 shock? Who will succeed Geingob within SWAPO and will the party face much greater competition in future elections? 	<ul style="list-style-type: none"> Budget presentation (usually March) Economic recovery/commodities outlook in 2021 Further signs of SWAPO loss of support (by-elections, protests)
Nigeria	Medium	<ul style="list-style-type: none"> Oct '20: Protests against police brutality lead to clashes with security forces and large-scale riots in Lagos. Dec '20: A new finance bill allows the government to tap unclaimed dividends and dormant bank account balances Jan '21: Government announces hugely ambitious plans to vaccinate 40% of the population in 2021 and 70% by end-2022 	<ul style="list-style-type: none"> Will the government lock in pro-market reforms such as the removal of the fuel subsidy? Will there be further changes to the multiple exchange rate regime this year? Will the power struggle within the ruling party impact Buhari's ability to govern? How will the government position itself vis-à-vis regional initiatives such as the AfCFTA or the ECO common currency? 	<ul style="list-style-type: none"> Response from World Bank and AfDB to request for USD 3.5bn in financing Progress on the Petroleum Industry Bill (PIB)

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Rwanda	Medium	<ul style="list-style-type: none"> Apr '20: IMF approves USD 109mn RCF for Rwanda, followed by USD 111mn RCF in June Jan '21: Fresh pandemic lockdowns 	<ul style="list-style-type: none"> Will Rwanda be in a better position to access financing and bounce back from the pandemic shock? Will President Paul Kagame's autocratic stance on internal political opposition intensify? Going on 27 years in office, will he pave the way for a smooth transition which he promised for 2024? 	<ul style="list-style-type: none"> External financing Opposition crackdown Presidential succession plans
Senegal	Medium	<ul style="list-style-type: none"> Sep '20: Government launches 'plan de relance' which envisages spending of FCFA 500bn (USD 26bn) until 2023, partly to be mobilized via public-private partners Nov '20: President Macky Sall reshuffles his cabinet by coopting several opposition figures into his new government Jan '21: Government re-introduces dusk-to-dawn curfew in key cities to curtail the spread of Covid-19 	<ul style="list-style-type: none"> Can President Macky Sall keep his party together while remaining ambiguous about a potential (unconstitutional) third term in 2024? As Sall lures prominent members of the opposition Senegal Democratic Party (PDS) into his camp, will the party of former president Abdoulaye Wade disintegrate? Will the phasing out of costly energy subsidies trigger large-scale civil unrest? 	<ul style="list-style-type: none"> May '21: End of offshore licensing round (postponed from Sep '20) TBC: Local elections (postponed from Dec '19 and Mar '21)
Seychelles	Medium	<ul style="list-style-type: none"> May '20: IMF approves USD 31.2mn RCF Oct '20: Opposition LDS' Wavel Ramkalawan wins presidential poll with 55% of vote and his party garners 25 of 35 parliamentary seats, marking first peaceful transition of power between parties since 1976 independence Jan '21: Vaccine rollout commences 	<ul style="list-style-type: none"> Can new President Wavel Ramkalawan roll out vaccines effectively and boost the tourism-dependent economy? Can the new administration gradually stabilize public finances given Covid-19 shock and strong stimulus commitments (including wage subsidies)? 	<ul style="list-style-type: none"> Vaccine roll-out IMF relations FX reserves; external debt ratios; contingent liabilities (e.g. Air Seychelles)
South Africa	Medium	<ul style="list-style-type: none"> Mar '20: South Africa enters pandemic lockdown; 80% of the economy only restarts from 1 June Jul '20: IMF approves USD 4.2bn emergency loan Oct '20: Medium-term budget projects deep recession, record budget deficit and debt levels 	<ul style="list-style-type: none"> Can President Ramaphosa deliver vaccines and implement overdue reforms, especially at Eskom, to boost recovery prospects? Can Finance Minister Tito Mboweni deliver budget (especially wage bill) savings and contain ballooning public debt? Can South Africa avoid an IMF bailout over the medium term? 	<ul style="list-style-type: none"> Feb '21: Budget presentation Covid-19 infections and vaccine rollout Public-sector wage talks Municipal elections (Aug-Nov)

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Zambia	High	<ul style="list-style-type: none"> Aug '20: Zambia benefits from the DSSI Nov '20: Zambia defaults on 2024 Eurobond Dec '20: Government announces Economic Recovery Program 	<ul style="list-style-type: none"> Will the pandemic and default shock push President Edgar Lungu's administration into an IMF deal, despite his re-election project? How will restructuring talks with bondholders and China evolve? Will President Lungu and the PF win the 2020 elections, and will the vote be credible? 	<ul style="list-style-type: none"> Feb/Mar: IMF talks Copper prices, mining disputes 12 Aug '21: General elections

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